Annual Report

2012

Yukon Workers' Compensation Health and Safety Board

Yukon Workers' Compensation Health and Safety Board

Commission de la santé et de la sécurité au travail du Yukon

MEMBERS OF THE BOARD

The Yukon Workers' Compensation Health and Safety Board is governed by a Board of Directors made up of two representatives of workers, two representatives of employers, a neutral chair and a neutral alternate chair. The President/CEO of the Yukon Workers' Compensation Health and Safety Board sits as a non-voting member.

Mark Pike, Chair
Appointed November 5, 2010 – November 4, 2013

Vicki Hancock, Alternate Chair
Appointed October 22, 2012 - October 21, 2015.
(Earlier appointments:
August 24, 2012 - October 22, 2012
August 24, 2009 - October 22, 2012
August 15, 2006 - August 19, 2009)

Gary Annau, Representative of Employers
Appointed January 28, 2012 to January 27, 2015
(Earlier appointments:
November 29, 2011 – January 27, 2012
November 29, 2008 – November 28, 2011
November 29, 2005 - November 28, 2008
November 29, 2004 – November 28, 2005)

Carl Schulze, Representative of Employers
Appointed February 17, 2011 – February 16, 2014

Barbara Evans, Representative of Workers
Appointed November 19, 2011 - January 17, 2012
(Earlier appointments:
November 19, 2008 – November 18, 2011
September 19, 2005 – September 18, 2008
September 19, 2002 – September 18, 2005
March 1, 2000 – August 20, 2002)

Don Austin, Representative of Workers
Appointed October 28, 2009 – June 30, 2012

Jim Brohman, Representative of Workers
Appointed April 26, 2012 – November 30, 2012

W. Cary Gryba, Representative of Workers
Appointed October 22, 2012 - October 21, 2015

Joy Waters, President/CEO

Valerie Royle, President/CEO
(until September 10, 2012)

MESSAGE FROM THE BOARD

A few years ago, the Board of Directors set out with stakeholders to plot a new direction for the Yukon Workers' Compensation Health and Safety Board.

Together, we looked for better ways to prevent disability. Business and labour leaders, health workers, legislators, the board's frontline staffers and senior managers completed this massive effort in May 2011.

We are now well into the second year of the resulting Strategic Plan – 2012-2016. And, through the strong stakeholder relationships that process built, we are seeing a culture of safety develop in the Yukon.

Drive through the territory and you'll find workers routinely wearing reflective vests and hardhats and other appropriate personal protective equipment on jobsites. You will see ladders properly secured and workers wearing harnesses to prevent crippling falls from heights.

No longer a relic of the pre-internet age, our new Minimum First Aid Regulations reflect the needs of modern, well-connected workplaces.

All producing hardrock mines in the territory have certified mine-rescue teams trained and deployed. We have also opened a seasonal Occupational Health and Safety office in Dawson to better serve the busy Klondike Valley.

Our return-to-work initiatives still rank among the best in the country.

The territory's robust economic activity let the Yukon Workers' Compensation Health and Safety Board reduce the employers' funding contribution by $3 million in 2012. This reduced assessment premiums from five to 47 per cent across all industry groups in 2012, a decision made easier because of the safety measures implemented across worksites in the territory.

The Board lowered assessment rates an average of 18 per cent. And every industry group saw their assessment rates drop.

There are more businesses embracing the Certificate of Recognition (COR) and Small Employer Certificates of Recognition (SECOR) programs. There are now 114 certified businesses, up from 97.

Our CHOICES Program saved employers $665,021 in 2012 – the COR businesses made up more than $432,000 of that figure.

In 2012, with long-term claims costs continuing to decline, there is evidence employers are backing return-to-work efforts.

While it's easy to focus on the money, savings are not the main goal. The programs encourage and improve workplace safety, and businesses supporting them protect their employees' lives.

Despite these successes, injury rates are still too high. While they haven't matched the boom, they haven't dropped either.

We are a long way from our stated long-term vision of **ZERO** – no injuries/illnesses, no disabilities and no safety violations in any Yukon workplace.

This is an ambitious goal. The workplace hazards we deal with are complex. And they aren't getting any easier.

Psychological injuries and illnesses have gained prominence as a workplace hazard, and the Canadian Standards Association will release guidelines in early 2013.

We are seeing more foreign investment and foreign workers, many of whom come from cultures with much less awareness about safety. This complicates occupational health and safety compliance and enforcement.

Dealing with these vital issues requires us to work together. That's why we must continue to expand and strengthen our stakeholder relationships.

Our first Workplace Solutions workshop, *Drugs, Alcohol and Hangovers in the Workplace*, drew a great crowd and the

MESSAGE FROM THE BOARD *(CONT'D)*

feedback we received will shape future events. We also organized a successful Health-Care symposium alongside the Workplace Solutions workshop.

Our Occupational Health and Safety team has started talking to people about the responsibilities of supervisors. Those presentations are helping promote safety while building deeper relationships in the business community.

We have forged closer ties with the Department of Education to improve the safety of Temporary Foreign Workers.

And we have launched several initiatives to help injured workers recover from their injuries faster and more completely and get them back to work.

Preventing workplace injuries isn't easy. In fact, given the growing dependence on foreign workers, our awareness of psychological injuries and illnesses resulting from workplace hazards, our aging population and the dizzying pace of technological change on the job, among other factors, it is only going to get more challenging.

ZERO is a tough goal. We know it. But we must strive to achieve it.

Every year, individual businesses prove they can operate without a single injury.

And if they can do it, we all can.

† Details of the Board of Director's priorities and objectives can be found in its Strategic Plan, on the YWCHSB website at www.wcb.yk.ca under Board of Directors. The Board's performance measures are on the same website under Forms & Reports – Accountability.

NEW AND REVISED POLICIES

One new policy and 21 policy revisions came into effect in 2012.

One policy revision came into force on January 1. The rest were launched on July 1.

The Yukon Workers' Compensation Health and Safety Board thanks members of the Policy Working Group, the Stakeholder Advisory Committee and others for their input and guidance developing and honing these policies.

EN-16 RECURRENCE OF INJURY (Effective July 1, 2012)

This new policy helps decision-makers sort out whether a worker`s injury is a recurrence of a work-related injury or something else. For example, is it a new injury? Is it a subsequent condition that has developed because of a work-related injury? Is it a continuation of the original injury? Each impacts a worker`s benefits differently.

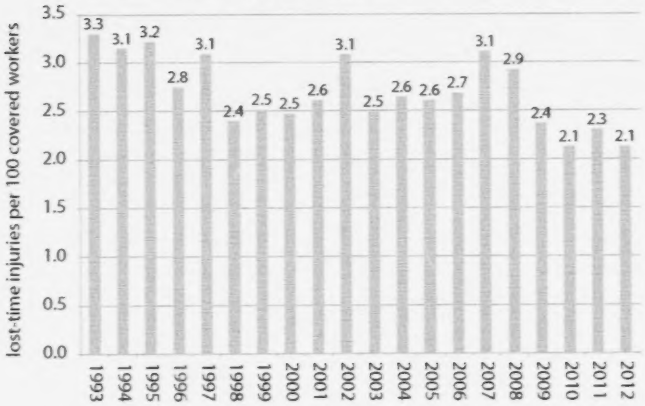
The policy explains how decision-makers determine if an injury is a recurrence:

- at least 180 days have passed since benefits ended for the original work-related injury;
- the original injury has stabilized or resolved, or the worker has returned to work;
- there have been no significant intervening factors, such as a new injury; and
- objective medical evidence shows a connection between the original injury and the recurrence.

This new policy forced the revision of two other policies, effective July 1, 2012, by including the new definition of recurrence:

- **EL-01, "Loss of Earnings Benefits"** determines how earnings-loss benefits are calculated for injured workers.
- **EL-06, "End of Loss of Earnings Benefits"** sets out the situations that end a worker`s earnings-loss benefits.

Lost-time* Injury Rate per 100 covered workers**



*Lost-time per Annual Report definition

**Covered Workers estimated from Assessable Payrolls and an Average Annual Employment Income assumption (per SAAD data). AAEI estimated for 2011 and 2012.

Source: Statistics Canada (SAAD), WCHSB

EL-04, RECOVERY OF OVERPAID COMPENSATION (Effective January 1, 2012)

This revised policy explains how the Yukon Workers' Compensation Health and Safety Board identifies and recovers overpayments it has made to workers and their dependents.

A key change was the removal of time limits, so the Yukon Workers' Compensation Health and Safety Board has discretion to pursue recovery of overpayments, regardless of how long it has been since the overpayment was made. This is the same discretion provided by the *Workers' Compensation Act*. The revised policy also provides six factors the organization considers when deciding whether to pursue a recovery:

- the amount;
- the cause;
- the presence of fraud;
- the impact on worker or dependent;
- the status of the claim; and
- the time elapsed since the overpayment.

NEW AND REVISED POLICIES *(CONT'D)*

RETURN TO WORK AND REHABILITATION SERIES - 18 POLICIES (Effective July 1, 2012)

These policies, approved in 2009 and 2010, address all aspects of rehabilitation and return-to-work for injured workers and employers. They apply to section 40 of the *Workers' Compensation Act*, on return-to-work, and section 41, on the employer's obligation to re-employ.

In 2010, the Yukon Workers' Compensation Health and Safety Board of Directors committed to stakeholders the organization would review all 18 policies in 2012 to ensure flow, consistency and cohesion. The revised policies took effect July 1, 2012.

As part of the 2012 review, the Yukon Workers' Compensation Health and Safety Board made these key revisions:

- increased emphasis on injured workers' responsibility to do as much as possible to recover and do work of which they are capable – in other words, mitigate their losses;
- clarified a worker's long-term compensation level is not guaranteed; it is subject to regular labour market reviews and workers must continually try to mitigate losses; and
- made language consistent with the Human Rights Act.

SAFETY COMPLIANCE

In 2012, Safety Officers issued 39 penalties for Occupational Health and Safety infractions on Yukon worksites, three fewer than the 42 handed out in 2011.

They discovered companies that failed to identify buried power cables. Some didn't use appropriate safety procedures when handling carcinogenic asbestos or failed to put proper guards around high-velocity belts. Others didn't identify proper procedures and lines of approach around overhead power lines.

These were serious infractions, but they were the exceptions.

Throughout the territory, we are seeing an understanding and acceptance of safety procedures and the use of basic Personal Protective Equipment, from safety vests to safety glasses and hard hats.

But there's clearly still work to do.

By far, the majority of fines stemmed from a simple refusal to use appropriate fall arrest. Safety Officers issued 17 fines to companies, supervisors and workers for failing to use this basic safety gear while working at heights in 2012. All were working in Whitehorse.

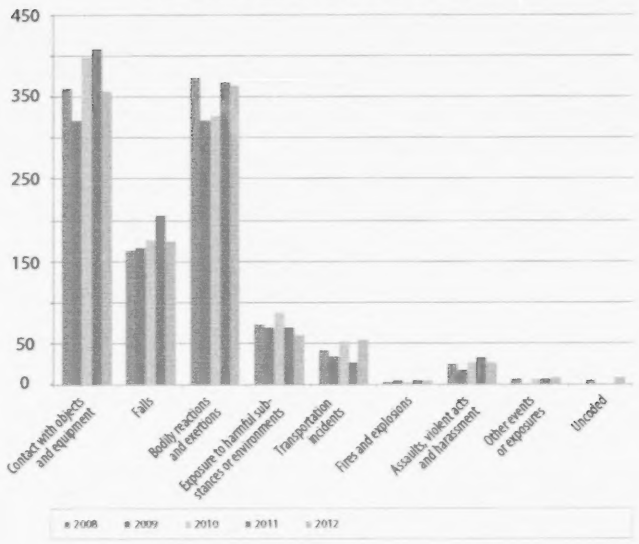
The bulk of these fall-arrest fines happened in March and July and then incidents petered out, suggesting worksites were getting the message from Safety Officers about the importance of the gear.

Overall, Occupational Health and Safety Officers fined a total of 24 companies, eight supervisors and seven workers for infractions across the territory. Those fines totalled $37,875, down from $55,000 in 2011.

The Yukon Workers' Compensation Health and Safety Board opened its seasonal office in Dawson City again in 2012. This office supports businesses and workers looking for information about occupational health and safety issues during the busy summers in the Klondike.

The office also provides an ongoing inspection regime in the Klondike. In 2012, the inspector handed out 12 penalties for non-compliance to placer operations in the region.

Accepted Claims by Event or Exposure



The Yukon Workers' Compensation Health and Safety Board posts administrative penalties on its website so employers and workers can see infractions and know what they cost. This allows people to review their jobsites and work practices for similar problems before someone is injured or killed.

Fines offset future assessment rates for the industry group they were collected from. Those companies not following the safety regulations injure more workers and increase the cost of running the compensation system.

Also in 2012, the work of the Occupational Health and Safety branch resulted in the successful court prosecution of Yukon Zinc and Procon Mining and Tunnelling. Both companies received the largest fines possible under Yukon law, $150,000 apiece, following the death of 25-year-old Will Fisher at the Wolverine Mine in 2010.

In 2012, two companies, two supervisors and an employee were charged following an investigation into the death of service worker Denis Chabot in 2011. The court proceeding is ongoing.

SAFETY COMPLIANCE *(CONT'D)*

All these fines and prosecutions are designed to have a deterrent effect, so those breaking the law can be held accountable and others are reminded of the seriousness of ensuring the safety and health of all employees and, in fact, anyone present in a workplace.

This year, the Yukon Workers' Compensation Health and Safety Board established an Industrial Hygiene Unit. It deals with contamination and safety management in the workplace.

The unit provides guidance on the safe handling and use of hazardous materials. For example, the unit will provide clearance testing following an asbestos removal project to ensure work areas are safe. The unit will also advise an employer about how to properly remove and dispose of the material safely.

The unit also handles long-term safety issues identified on jobsites and works with employers to develop programs to deal with them and to bring the site into compliance with Occupational Health and Safety regulations.

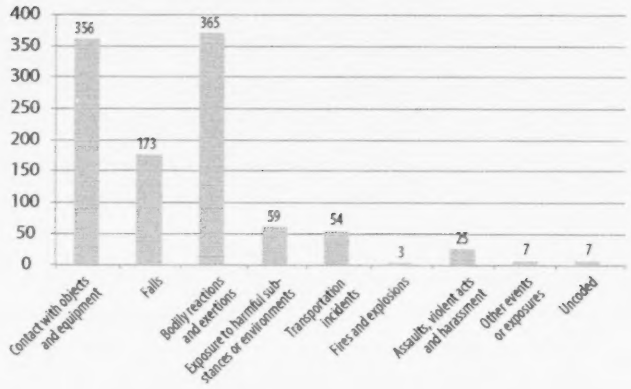
The unit is working with mining companies on hygiene monitoring at all three operating hardrock operations in Yukon.

On June 1, 2012, new Minimum First Aid Regulations came into effect, updating outdated regulations. The new rules reflect modern first aid training practices and materials and allow employers to tailor emergency response methods to the needs of their worksites, as long as they comply with standards.

These regulations:

- establish minimum standards for workplaces;
- maintain the protection currently afforded workers;
- are written in plain language; and
- change the regulation to performance based from prescriptive, where possible.

Accepted Claims by Event or Exposure – 2012



The launch of the regulations was a success and they are widely supported by industry.

The Yukon Workers' Compensation Health and Safety Board also bolstered its underground mine-rescue capabilities.

In 2012, it bought and outfitted a mine-rescue rig that can respond to a catastrophic mine event. In addition to its use as a communications hub, the unit has all 15 closed-circuit breathing apparatuses, can refill oxygen cylinders and clean and maintain the material used to absorb carbon dioxide during a prolonged mine-rescue effort.

In 2013, this unit will visit underground minesites to train mine-rescue workers.

In 2012, the mine-rescue unit ran two instructor courses with its partner Northern Safety Network Yukon. The Yukon Workers' Compensation Health and Safety Board issued 17 instructor certificates.

The unit also examined basic mine-rescue courses at two Yukon mines. In total, 13 mineworkers received basic mine-rescue certificates in 2012.

RETURN TO WORK

The Yukon Workers' Compensation Health and Safety Board continues to work with its stakeholder partners, employers, workers and health-care providers to get injured workers safely back to work as quickly as possible.

Effective Return-To-Work outcomes prevent long-term disability and psychological issues for workers and their families. Injured workers heal faster and better when they get back to work, even if they can't resume their old duties right away.

In 2012, the Yukon Federation of Labour held Return-to-Work classes so businesses could learn the basics about accommodating injured workers on their jobsites.

The Yukon Workers' Compensation Health and Safety Board's Return-to-Work Consultant continues to field employer questions and helps them meet their obligations under section 40 of the *Workers' Compensation Act*. This section outlines both the worker's and employer's obligations to cooperate in the early and safe Return-to-Work process.

Employers with more than 20 workers are subject to Section 41 of the Act, which lays out specific guidelines, remedies and penalties to ensure re-employment obligations to injured workers are met.

We continue to meet with Yukon Government officials to help achieve positive outcomes for employees of the territory's largest employer.

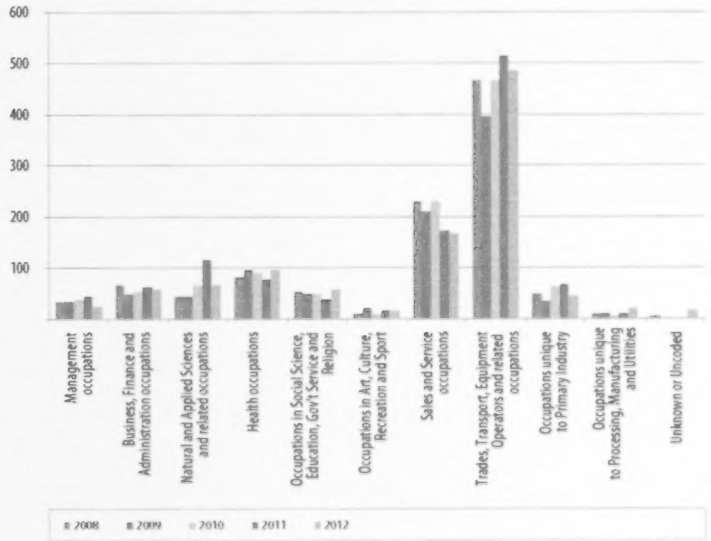
The Yukon Workers' Compensation Health and Safety Board is also working with health-care providers to get accurate, detailed information about the functional abilities of injured workers.

Through this cooperation between employers, workers and heath-care providers, the Yukon has some of the best claim results in Canada.

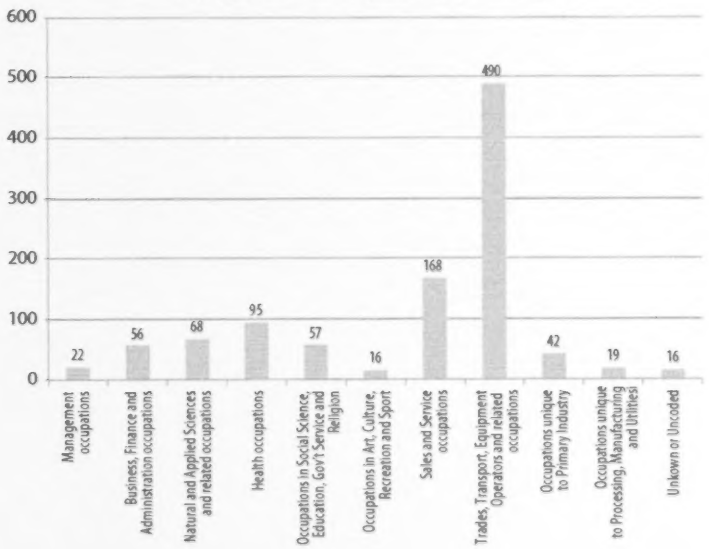
At the end of 2012, the percentage of time-loss claims for which the last payment was made less than 90 days from the claim start was 78 per cent. The last payment for time-loss claims less than 360 days was 92 per cent.

All these activities help prevent disability and enables the effective management of the compensation system.

Accepted Claims by Occupation



Accepted Claims by Occupation – 2012



YOUNG AND NEW WORKER INITIATIVES

In 2012, the Yukon Workers' Compensation Health and Safety Board completed Young and New Worker and Minimum Age regulations. These regulations will be submitted to the Yukon Government for consideration in 2013.

The Yukon Workers' Compensation Health and Safety Board's Young Worker Coordinator delivered the "Work Shouldn't Hurt" program to 16 Grade 10 classes in Whitehorse and to classes in Haines Junction, Watson Lake, Dawson City, Carmacks, Mayo, Pelly, Faro and Ross River.

The program:

- explains why students are at a higher risk of injury
- trains them to identify common workplace hazards
- teaches how to work safely with chemicals and controlled products; and
- lays out their responsibilities and rights on the worksite.

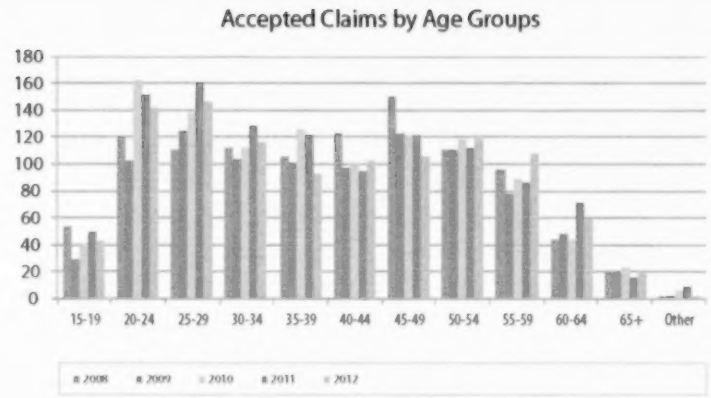
In addition to working with high school students, the coordinator also launched a new program for students from Kindergarten to Grade 2.

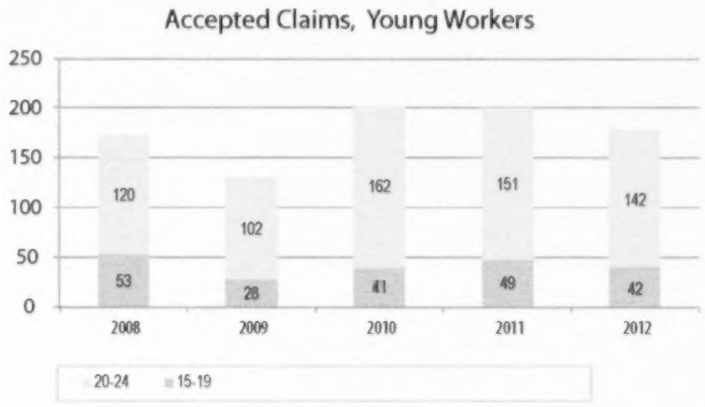
Built around a cute mascot, Susie the Squirrel, the program was distributed to 28 schools across the territory. There were 60 kits in total, and all included a safety related book, teacher manual, poster, sticker and, of course, Susie the Squirrel puppet.

Choosing, obtaining and assembling all this material for distribution to the territory's primary schools took more than six months. It was completed in the fall with the coordinator presenting the package to educators in Whitehorse and to a remote teacher conference in Dawson City.

All courses offered through our Young Worker Coordinator meet the requirements for Health and Career Education.

The Yukon Workers' Compensation Health and Safety Board worked with all other Canadian jurisdictions to establish a national video contest, which will be running in 2013. The





Young Worker Coordinator has been organizing the local schools and promoting the video contest among Yukon students. The winner will compete at the National Skills Competition in Vancouver in 2013.

The coordinator also promotes trades and technologies among youth under the age of 30 through Skills Canada and Skills Canada Yukon.

They also sit on the board of Skills Canada as the territory's representative on the National Technical Committee, which oversees the National Skills Canada Competition. This position allows the coordinator to work with safety professionals from across Canada.

INVESTIGATIVE UNIT RESULTS

The investigative unit holds the Yukon Workers' Compensation Health and Safety Board members, staff, employers, workers, health-care and service providers accountable for their actions.

This unit ensures the ethical and honest use of compensation funds. It probes the causes of workplace incidents. It guarantees the credibility of all claimants. And it holds Yukon Workers' Compensation Health and Safety Board members, staff, employers, workers, health-care and service providers accountable for their actions.

In 2012, charges were laid against two companies, two supervisors and an employee following investigative work by the unit and Occupational Health and Safety officers following the death of service worker Denis Chabot in 2011. Details of the case cannot be provided because the matter is before the courts.

This year, Yukon mining companies Procon Mining and Tunnelling and Yukon Zinc were fined $150,000 apiece, the maximum fine allowed under territorial law, for safety infractions investigated by the unit and Safety Officers in the wake of the death of Will Fisher at the Wolverine Mine in 2010.

In July 2012, Tagish Lake Gold and one of its supervisors pleaded guilty to charges following a 2011 investigation of the Skookum Gold mine by the Yukon Workers' Compensation Health and Safety Board. The unit played an important role in this case.

And, at the request of another government department, the unit carried out an investigation under the Yukon Societies Act.

The investigative unit continues to work on Occupational Health and Safety and compensation claim issues.

It has also started working with the Yukon Workers' Compensation Health and Safety Board Assessments branch.

CHOICES PROGRAM

The **CHOICES** Program financially rewards employers who improve workplace safety and return-to-work practices in their businesses.

The program benefits employers and the Yukon Workers' Compensation Health and Safety Board by preventing disability, promoting safety and return-to-work practices in Yukon workplaces.

Employers can register for **CHOICES** simply by checking a box on their annual Employer Payroll Return.

That simplified registration system continues to show results.

Businesses receiving rewards now make up 52 per cent of the territory's total payroll.

In 2012, participation in the **CHOICES** Program increased 39 per cent, to 192 businesses from 138 in 2011. Together, those employers saved a total of $665,021 in 2012, up from $506,317 in 2011.

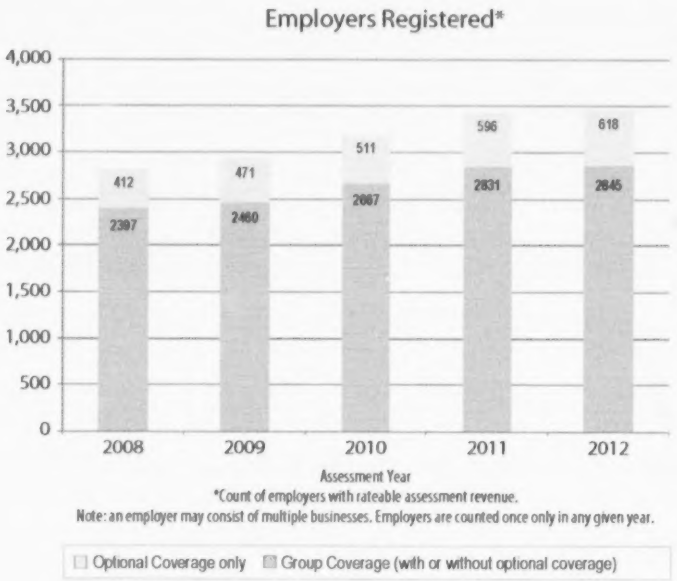
Businesses with a Certificate of Recognition or a Small Employers Certificate of Recognition automatically receive a rebate credit on their assessment premium accounts of 10 per cent.

In 2012, COR businesses saw the biggest savings. Program participation rose to 67 from 56 in 2011, saving businesses a total of $432,149.

The number of SECOR-qualified businesses more than doubled in 2012, rising to 30 from 14 in 2011. In total, those businesses saved $30,098.

Non-certified employers can also show, through a third-party, that they have provided a specified number of safety and/or return-to-work training hours for their workers. These employers received rebates from four to six per cent.

In 2012, many communities were visited by the Yukon Workers' Compensation Health and Safety Board **CHOICES** coordinator, and more than 100 individual businesses were visited.



EMPLOYER ASSESSMENTS

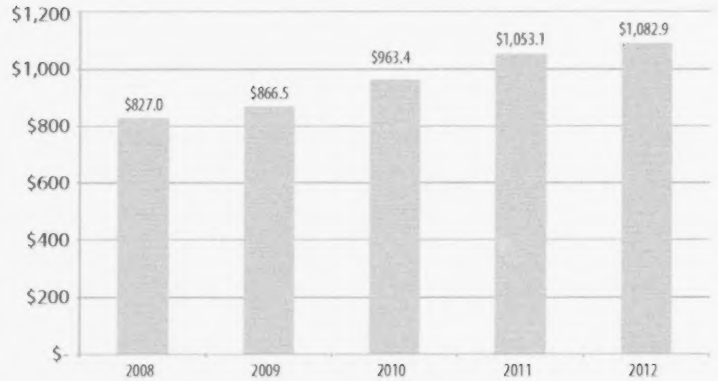
Assessment revenues in 2012 were $25.6 million compared to $30.4 million in 2011, a decrease of $4.8 million.

Most of this drop was expected as the Board of Directors approved a $3 million reduction in assessment revenue in 2012.

This reduction allowed all nine industry rate groups to see lower assessment rates in 2012.

In 2012, the territory saw diamond drilling, exploration, bridge construction and road making and building construction activity taper off. But there was an increase in metal and placer mining and other mining support services. This mining-sector expansion led to the collection of slightly more assessment revenue than expected.

Estimated Assessable Payroll* ($millions)



*Includes optional coverage amounts.

Rate increases/decreases

This year, 3,600 employers saw assessment rate decreases from five to 47 per cent. No rate group saw an increase in 2012.

The average assessment rate in 2012 was $2.39, down from $2.49 in 2011. Also, administration costs were trimmed to $1.04 in 2012, down from $1.10 in 2011.

Claims costs remained stable in 2012, which, coupled with higher investment returns, allowed the Yukon Workers' Compensation Health and Safety Board to run a surplus.

The rate structure in 2011 reinforces the message industries with good safety performance will not have to support those that are injuring workers.

It was also announced in 2012 that industries will see assessment rates decrease again in 2013. The average assessment rate in 2013 is $2.34.

Letters of Clearance

Approximately 17,000 letters of clearance were issued by the Assessments branch in 2012. The letters confirm contractors working for an employer are registered with Yukon Workers' Compensation Health and Safety Board and have paid their assessment premiums. Contractors not in good standing with the Yukon Workers' Compensation Health and Safety Board leave employers with the potential liability of paying assessment premiums for contractors on the labour portion of their contract.

Audits

In 2012, 284 audits were conducted with Yukon businesses. Meeting with businesses in this way allows us to tell new employers about the compensation system while confirming accurate reporting of employer payrolls and ensuring they are in the proper industrial classification.

The audits resulted in adjustments, or additional payment premiums due to Yukon Workers' Compensation Health and Safety Board, of almost $197,000 compared to $116,000 in 2011. Most of these adjustments were related to employers under-reporting payrolls and monies due from employers on the labour portion of contracted work, where the contractor did not have compensation coverage.

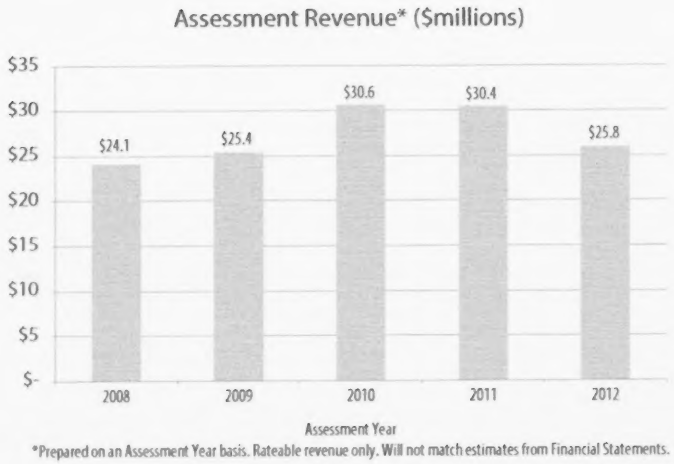
EMPLOYER ASSESSMENTS *(CONT'D)*

Penalties

If employers do not meet their payment obligations to the compensation system, it adds costs to the system. To support employers who are in compliance, penalties and interest charges are levied against those who do not meet their required timelines.

In 2012, $495,000 in penalties were handed to employers who failed to meet deadlines for registering with the Yukon Workers' Compensation Health and Safety Board, filing their Annual Payroll Return and/or for not paying their assessment premiums.

This money is used to offset future assessment rate calculations through allocation to assessment revenues.



*Prepared on an Assessment Year basis. Rateable revenue only. Will not match estimates from Financial Statements.

APPEALS STATISTICS – JANUARY 1- DECEMBER 31, 2012

Workers' Compensation Appeal Tribunal

Number of Appeals Heard, Resolved and Pending in 2012

The Workers' Compensation Appeal Tribunal is one of the checks and balances built into the *Workers' Compensation Act*. If a worker or employer is not happy with a claims decision rendered by the board, the Tribunal is where they can go to be heard. It is a quasi-judicial body independent from the Yukon Workers' Compensation Health and Safety Board that hears these final-level appeals from workers and employers.

In 2012, five appeals were heard by the Workers' Compensation Appeal Tribunal.

One was a hearing postponed from December 2011. One decision was stayed by the Yukon Workers' Compensation Health and Safety Board of Directors and sent back to the Tribunal for reconsideration. That decision was confirmed in the second hearing. A fourth was a rehearing after the Supreme Court of Yukon quashed an earlier Tribunal decision. The last appeal stemmed from a July 2011 Notice of Appeal that was heard in August 2012.

Most of the appellants were represented by the Workers' Advocate Office.

In summary, of the five decisions rendered in 2012, two appeals were denied and three were allowed. However, one of the successful appeals was heard twice, after being sent back by the Board of Directors, and the Tribunal decided to allow it both times. A sixth appeal, lodged by an employer, was withdrawn.

2012 Appeal Statistics for January 1 to December 31, 2012

Reviews by Hearing Officer	2012
Decisions in 2012	
Decisions confirmed	3
Decisions reversed	4
Decisions varied	1
Reviews by Hearing Panel	**27**
Decisions confirmed	13
Decisions reversed	9
Decisions varied	4
Decisions pending	1

2012 Appeal Panel of the Board of Directors

Determination on Right of Action Appeals	0
Confirmed	0
Reversed	0
Varied	0
Occupational Health and Safety Appeals	1
Administrative Penalty Appeals	1
Confirmed	1
Revoked	0
Decreased	0
Assessment Appeals	0
Confirmed	0
Reversed	0
Varied	0

APPEALS STATISTICS – JANUARY 1- DECEMBER 31,2012 *(CONT'D)*

DISCLOSURE STATISTICS 2012

Release of Information Statistics for 2012

	Workers' Advocate	Worker	Employer	Appeal	Other Tribunal	**Total**
January - March	38	12	2	3	18	**73**
April - June	29	7	6	3	42	**87**
July - September	32	14	2	2	0	**50**
October - December	39	5	3	5	49	**101**
Total	**138**	**38**	**13**	**13**	**109**	**311**

2003 - 2012 totals

2012	138	38	13	13	109	**311**
2011	170	57	16	28	38	**309**
2010	182	51	11	56	61	**361**
2009	173	45	23	22	24	**287**
2008	238	71	10	18	21	**358**
2007	194	69	20	66	2	**351**
2006	265	53	8	40	4	**370**
2005	408	67	6	71	10	**562**
2004	468	73	20	42	6	**609**
2003	336	80	14	44	9	**483**
Total	**2572**	**604**	**141**	**400**	**284**	**4001**

MANAGEMENT DISCUSSION AND ANALYSIS

This segment deals with the Compensation Fund's financial performance for the year ended December 31, 2012. These audited financial statements are integral to this analysis and should be read in conjunction with it. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been derived from the Fund's annual Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

Forward -Looking Statements

Any forward-looking statements in this document represent the views of management. They are presented to help assist stakeholders understand the Fund's financial position, objectives and priorities and anticipated financial performance. Readers are cautioned not to place undue reliance on these forward-looking statements.

Operating Results

The 2012 operating surplus was relatively unchanged from the previous year: $9.25 million versus $9.33 million in 2011. The main contributor to the fund's surplus in 2012 was the increased investment revenue ($13.5 million in 2012 versus $5.9 million in 2011) which was above expectations. Assessment Revenue in 2012 was $25.6 million, which was $4.8 million lower than 2011 due to a general rate decrease and slower economic activity in the later part of the year. The fund's total revenue in 2012 was $40.3 million versus $37.6 million in 2011.

Investment revenue was $7.6 million higher than 2011. The fund posted solid returns in all asset classes and earned an overall return of 8.9 per cent versus the benchmark return of 7.8 per cent. The overall return for the past five years has been 4.4 per cent versus the benchmark of 3.3 per cent. This has been the fourth consecutive year of positive investment returns, and the fund's disciplined, structured, conservative approach of managing its investments continues to produce results.

Total current and future claims costs increased to $20.6 million in 2012 versus $18.1 million in 2011. The main factor behind the increase was the change to the entitlement period for compensation of loss of earnings due to Federal Government Legislation that extended Old Age Security (OAS) eligibility requirements. Compensation for loss of earnings under the Yukon workers' compensation system is payable until the age of eligibility is reached under the Old Age Security system; increasing the eligibility age for OAS benefits will result in some injured workers continuing to receive compensation for loss of earnings beyond age 65, possibly up to age 67. Changing the OAS entitlement age to 67 from 65 added approximately $3.6 million to 2012 claims costs. These changes will not come into effect immediately and there will be no change for anyone born prior to April 1, 1958.

Direct operating costs increased to $10.1 million in 2012 from $9.6 million in 2011. Two main factors are attributed to this increase. First, YWCHSB continued its focus on prevention and compliance through increased Occupation Health and Safety staffing and resources to handle increased demand in the mining and construction sectors that has built over the last few years. The second factor was an actuarial adjustment to future employee benefits related to vacation, retiring allowance and sick leave.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

The strong financial results continue to strengthen the balance sheet, bringing reserve levels well above their target range. This is comforting, as the Fund may have to adopt future accounting and actuarial standards that may increase the value of the Benefits Liability. Also, this permitted excess of assets over liabilities helps mitigate the impact of year-to-year income fluctuations, providing rate stabilization and assurance benefit obligations will be met in the long run. Finally, the strength of the balance sheet assures stakeholders the fund can address future financial commitments should global financial markets and economies weaken.

Outlook

To prevent workplace disabilities, the Yukon Workers' Compensation Health and Safety Board will seek out innovative and cost-effective ways to operate.

We will strive to keep Yukon workplaces safe in the face of new challenges through prudent management, investment in our employees, adoption of new technologies and by working with our stakeholders.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Workers' Compensation Health and Safety Board (the "Board") is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced on a timely basis; Compensation Fund assets are safeguarded and controlled; transactions of the Compensation Fund are in accordance with relevant legislation, regulations and board policies; and that the Board's resources are managed efficiently and economically and the operations of the Board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Compensation Fund. The accompanying financial statements as at December 31, 2012 include amounts based on management's best estimates as determined through experience and judgement, and are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

Members of the Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises its responsibilities through the Finance, Investment, and Audit Committee (the "Committee"). The Committee meets with management and the external auditors on a regular basis. The Committee has reviewed the financial statements and has submitted its report to the Board of Directors, which has approved these financial statements.

The Auditor General of Canada conducts an independent audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

Morneau Shepell, an independent consulting actuarial firm, has completed an actuarial valuation of the benefits liability included in the financial statements of the Compensation Fund and reported thereon in accordance with accepted actuarial practice.

Joy Waters
President and Chief Executive Officer

Jim Stephens, CMA, CGA
Vice President, Operations and
Chief Financial Officer

April 16, 2013

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefits liability of the Yukon Workers' Compensation Health and Safety Board (the "board") as at December 31, 2012 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the benefits liability.

2. The actuarial assumptions adopted in computing the benefits liability are adequate and appropriate for the purpose of the valuation.

3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada. The economic assumptions are consistent with the funding and investment policies of the board.

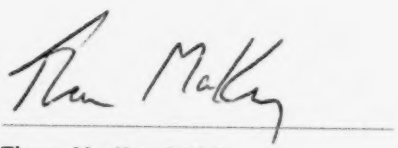
4. The estimate of the actuarial liabilities as at the valuation date is $124,043,000. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. This liability includes future administrative expenses for all benefits, with the exception of the Annuity benefit. It does not include any self-insured employers. A provision for future claims arising from long latency occupational diseases is not included in this valuation.

5. The liability as at the valuation date for Annuity contributions and interest already set aside by the board up to the valuation date for purposes of providing pension benefits to injured workers was obtained from the board's finance division and is included in item 4 above.

6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations (excluding long latency occupational diseases) and the financial statements fairly present the results of the valuation.

7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

8. The valuation is based on the provisions of the *Workers' Compensation Act* of the Yukon Territory and on the board's policies and practices in effect on the valuation date.



Thane MacKay, F.C.I.A.

This report has been peer reviewed by Conrad Ferguson, F.C.I.A.

INDEPENDENT AUDITOR'S REPORT

Auditor General of Canada
Vérificateur général du Canada

To the Minister responsible for the Compensation Fund

Report on the Financial Statements

I have audited the accompanying financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2012, and the statement of operations and comprehensive income, statement of changes in funded position (equity) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

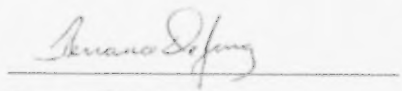
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT *(CONT'D)*

Report on Other Legal and Regulatory Requirements

As required by the *Workers' Compensation Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Compensation Fund and the financial statements are in agreement therewith. In addition, the transactions of the Compensation Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Workers' Compensation Act* and regulations, the *Occupational Health and Safety Act* and regulations and the *Financial Administration Act* of Yukon and regulations.



Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

16 April 2013
Vancouver, Canada

COMPENSATION FUND

STATEMENT OF FINANCIAL POSITION
as at December 31st

	note	2012 ($000s)	2011 ($000s)
ASSETS			
Cash		$ 7,224	$ 7,909
Accounts receivable	6	2,347	3,823
Prepaid expenses		172	143
Investments	7	174,132	157,646
Property and equipment	8	3,963	3,700
Intangible assets	9	3,941	4,058
Total assets		$ 191,779	$ 177,279
LIABILITIES			
Accounts payable and accrued liabilities	10	$ 4,720	$ 4,671
Deferred portion of government grant	11	352	176
Benefits liability	12	124,043	119,412
Employee benefits	13	2,442	2,053
Total liabilities		$ 131,557	$ 126,312
FUNDED POSITION (EQUITY)	14		
Prevention Fund		425	428
Reserves		59,797	50,539
Total equity		60,222	50,967
Total liabilities and equity		$ 191,779	$ 177,279

Commitments and Contingencies (Notes 16 and 19)

The accompanying notes are an integral part of these financial statements.

Approved by the Yukon Workers' Compensation Health and Safety Board

Mark Pike
Chair

COMPENSATION FUND

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
for the year ended December 31st

	note	2012 ($000s)	2011 ($000s)
REVENUE AND INCOME			
Assessment revenue		$ 25,579	$ 30,422
Net investment income	7	13,457	5,897
Recoveries and other receipts		1,276	1,245
		40,312	37,564
EXPENSES			
Claims expenses	12	$ 20,615	$ 18,099
Administration	17		
General and Administration		7,203	6,986
Occupational Health and Safety		2,360	2,082
Workers' Advocate		379	319
Act Review		-	49
Appeal Tribunal		183	176
Prevention	18	317	521
		31,057	28,232
Operating surplus and comprehensive income		$ 9,255	$ 9,332

The accompanying notes are an integral part of these financial statements.

COMPENSATION FUND

STATEMENT OF CHANGES IN FUNDED POSITION (EQUITY)
for the year ended December 31st

	Stabilization Reserve ($000s)	Adverse Events Reserve ($000s)	Prevention Fund ($000s)	Total ($000s)
Balance at January 1, 2011	**$ 21,794**	**$ 19,291**	**$ 550**	**$ 41,635**
Total comprehensive income for 2011	9,332	-	-	9,332
Transfer to / from Prevention Fund	122	-	(122)	-
Transfer to / from Adverse Events Reserve	(442)	442	-	-
Balance at December 31, 2011	**$ 30,806**	**$ 19,733**	**$ 428**	**$ 50,967**
Total comprehensive income for 2012	9,255	-	-	9,255
Transfer to / from Prevention Fund	3	-	(3)	-
Transfer to / from Adverse Events Reserve	(674)	674	-	-
Balance at December 31, 2012	**$ 39,390**	**$ 20,407**	**$ 425**	**$ 60,222**

The accompanying notes are an integral part of these financial statements.

COMPENSATION FUND

STATEMENT OF CASH FLOWS
for the year ended December 31st

	2012 ($000s)	2011 ($000s)
OPERATING ACTIVITIES		
Cash received from:		
Employers, for assessments	$ 26,903	$ 31,448
Investment revenue - interest	3,008	3,174
Investment revenue - dividends	2,325	2,016
Recoveries and other receipts	1,924	885
	34,160	37,523
Cash paid to:		
Claimants or third parties on their behalf	(15,852)	(13,922)
Employees, for salaries and benefits	(7,919)	(7,208)
Suppliers, for administrative and other goods and services	(2,197)	(1,908)
	(25,968)	(23,038)
Total cash provided by operating activities	8,192	14,485
INVESTING ACTIVITIES		
Net purchase of investments	(7,862)	(6,720)
Purchases of property and equipment	(520)	(319)
Purchases of intangible assets	(495)	(245)
Total cash used in investing activities	(8,877)	(7,284)
Net (decrease) increase in cash	(685)	7,201
Cash, beginning of year	7,909	708
Cash, end of year	$ 7,224	$ 7,909

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

The Compensation Fund (the "Fund") was established by the *Workers' Compensation Act* of Yukon (the "Act") and is administered by the Yukon Workers' Compensation Health and Safety Board (the "Board") pursuant to the Act. In 2008, the Act was amended and received assent in the Legislative Assembly. The effective date of the new Act was July 1, 2008. The Board is exempt from income tax and the goods and services tax.

The Fund, as administered by the Board, provides compensation for injury or death by accidents arising out of and in the course of employment. Annual assessments are levied upon employers by applying their industry assessment rate to their actual or estimated payrolls for the year. The assessment and investment revenue pays for all claims, administration and prevention expenses.

Since 1992, the Board has also been responsible for the administration of the *Occupational Health and Safety Act* and regulations to advance strategies for preventing workplace injuries in the territory.

The Board, a territorial entity, is domiciled in Canada and has its office at 401 Strickland Street, Whitehorse, Yukon, Canada.

2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Board of Directors approved and authorized for issue the 2012 financial statements on April 16, 2013.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for investments held-for-trading that are measured at fair value. The Fund's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Fund operates, which is also the presentation currency of the financial statements.

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand dollars, unless otherwise stated.

Critical Accounting Estimates and Judgements

The Board makes estimates and judgements in respect of certain key assets and liabilities of the Fund. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation uncertainties which have a significant risk of resulting in a material adjustment within the next financial year are the following:

- Note 12 Benefits liability – Determination of discount rates and other assumptions
- Note 13 Employee benefits – Determination of discount rates and other assumptions
- Note 7 Investments – Valuation of financial instruments

The major areas of judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are the following:

- Note 7 Investments – Classification of financial instruments
- Note 8 Property and equipment – The degree of componentization
- Note 9 Intangible assets – The determination of development costs eligible for capitalization

3. Future Accounting and Reporting Standards

New and revised accounting standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which the Board reasonably expects to be applicable at a future date. The Board intends to adopt those standards when they become effective.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 13 *Fair Value Measurement*

In May 2011, the IASB published IFRS 13, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRSs, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty, the effect of those measurements on the financial statements. The Board intends to adopt IFRS 13 prospectively in the Fund's financial statements for the annual period beginning on January 1, 2013. The adoption of this standard is not expected to have a significant effect on the Fund's financial statements as investments are measured at fair value as required under IAS 39 *Financial Instruments: Recognition and Measurement*.

Other changes to standards with no expected significant impact

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*, to eliminate the corridor method that permits the deferral of actuarial gains and losses, to revise the presentation requirements for changes in defined benefit plan assets and liabilities and to enhance the required disclosures for defined benefit plans. The amended standard is effective beginning on January 1, 2013 with retrospective application and early adoption is permitted. The adoption of these amendments is not expected to have a significant effect on the Fund's financial statements.

Future accounting changes

The IASB is currently working on revisions to IFRS 4 *Insurance Contracts*. A re-exposure or review draft is due out by the second quarter of 2013. The target and effective dates to the standard have not yet been determined. The impact of the proposed revisions is not determinable at the present time.

4. Significant Accounting Policies

The following is a summary of the significant accounting policies:

(a) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and bank balances net of any bank overdrafts. Cash and short term investments held by custodians for investment purposes are not available for general use and are included in investments.

(b) Assessments

Assessment revenue is calculated monthly on actual or estimated payrolls as reported by the employer, or on provisional assessments as determined by the Board. Separate rates of assessment are established for each industry classification. At year end, assessments receivable and payable are adjusted based on the difference between estimated and actual payrolls.

The Board administers the Government of Yukon employees' compensation claims related to injuries prior to January 1, 1993, when the Government was a self-insured employer. The Fund receives reimbursement for the claim costs and related administrative expenses of those employees (note 15(a)). These amounts are recorded in recoveries and other receipts in the year in which the related expenses are incurred.

(c) Recoveries from third parties

Since July 1, 2008, under section 51 of the *Workers' Compensation Act*, the Board is deemed to be an assignee of a cause of action in respect of a worker's injury that arose out of a work related injury. If settled, or as a result of a Court decision, the legal costs and costs associated with the claim create the settlement. Out of the settlement are paid the legal costs, and legal disbursements, and all past, present and future costs. Any funds remaining will be paid to the worker. The amount recovered for past, present and future costs is used to offset future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the benefits liability.

Revenue received from third party recoveries is recorded in the year the settlement occurs. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

(d) Financial instruments

INVESTMENTS

Investments are classified as held for trading because they are acquired for the purpose of selling or repurchasing in the near term and are measured at fair value through profit or loss. The fair value of publicly traded investments is the quoted market price which approximates the bid price at the end of the reporting period. Pooled fund units are valued at their year-end net asset value, as determined by the fund manager. Purchases and sales of investments are recognized on the trade date. Short-term investments held by the investment managers for investment purposes are included in Investments.

Realized gains and losses arising on the sale of investments, are recognized in net investment income in the period earned net of unrealized gains and losses. Unrealized gains and losses, arising from fluctuations in fair value, are recognized in net investment income in the period in which they arise. Net investment income arising from dividends and interest is recognized in the period earned as part of net investment income. Net investment income is presented net of investment management fees and transaction costs.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income from investments is translated at the rate in effect at the time it is earned. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in net investment income in the period in which they arise.

The Board does not enter into any financial derivative instruments as part of managing its investment portfolio.

OTHER FINANCIAL ASSETS AND LIABILITIES

Accounts receivable and assessments receivable are classified as loans and receivables. Accounts payable and accrued liabilities, and assessments refundable are classified as other financial liabilities. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, assessments receivable, accounts payable and accrued liabilities, and assessments refundable, their carrying values approximate their fair values.

FAIR VALUE HIERARCHY

The Fund uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. There were no such transfers between levels in 2012.

IMPAIRMENT OF FINANCIAL ASSETS

The carrying amount of accounts and assessment receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. The Board assesses at

each reporting date whether a financial asset or group of financial assets is impaired. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognized when the contractual right to the cash flows from the asset expires or if the Board transfers the financial asset and substantially all risk and rewards of ownership to another entity.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

Buildings	10 – 50 years
Furniture and equipment	5 – 10 years
Computer equipment	5 – 10 years

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately. The security system is considered a significant component of the Strickland building.

The estimated useful life, residual value and depreciation method is reviewed at each year end and any change in estimate is made on a prospective basis.

The fair value of land and the Mine Rescue Station building has been recorded as deemed cost on January 1, 2010.

(f) Intangible assets

Intangible assets are comprised of purchased software and internally developed software systems.

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. Salaries, wages and benefits directly related to internally developed software systems are included in the asset's cost. When the asset is substantially complete and is available for use, development costs capitalization ceases and the costs are transferred to the related asset category and amortized.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Amortization is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

Systems and software	5 – 12 years

The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

(g) Impairment of non-financial assets

IAS 36 *Impairment of Assets* requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entity. The Board has statutory power under the Act to increase premiums and /or charge a premium surcharge to ensure full funding into the foreseeable future and therefore, impairment at the entity level is remote.

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential will be reviewed and the estimated useful life, depreciation method and residual value adjusted.

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2012, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment – changes in the legislative, economic or business environment – that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.

(h) Government grants

There are two types of government grants which include government grants related to expenses and government grants related to assets. Government grants related to expenses are recognized as income when there is reasonable assurance that the conditions attached to the grant will be complied with and the grant will be received. When the grant relates to an asset, it is recognized as deferred income and is released into income in equal amounts over the expected useful life of the related asset.

In 2005, the Government of Yukon approved the reinstatement of ongoing funding for the Mine Safety Program (the "Program") through an annual grant to the Board. The Program, which was transferred to the Board in 1993, provides mine rescue training and support services as well as mine safety inspection services. The funding is to be reviewed by the Government, at a minimum, every five years. The grant is accounted for as income in the period in which the related expenses are incurred (note 11).

In 2011, the Board signed an agreement with the Government of Yukon which provides the Board with funding for the purpose of upgrading mine safety equipment. The grant is accounted for as deferred income and released into income over the expected useful life of the equipment (note 11).

(i) Benefits liability

The benefits liability is determined annually and represents the actuarial present value of all future benefit payments expected to be made for claims which have occurred in the current fiscal year or in any prior year. The benefits liability includes a provision for future payments on claims that have not been finalized to date. It also includes a provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims as well as future claims management costs. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period (note 12).

The benefits liability is comprised of three liabilities – medical aid and compensation, pension, and annuity:

- Medical aid and compensation includes benefits for medical aid, short and long term compensation for loss of earnings and personal property, lump sum payments for permanent impairment, rehabilitation assistance, emergency transportation, traditional aboriginal healing, and death and funeral expenses.
- The pension liability includes monthly pension benefits indexed annually that are paid to spouses, dependent children and guardians of dependent children of those who die from a work-related injury.
- The annuity liability is for workers who have received compensation for the same disability for at least 24 months. An amount equal to ten percent of the total compensation payments, plus interest, is set aside to provide a retirement annuity when a worker becomes entitled to apply for Old Age Security benefits.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates, and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The Actuarial Statement of Opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

(j) Employee benefits

SHORT TERM EMPLOYEE BENEFITS

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include wages and salaries, sick leave and special leave benefits expected to be used, and annual vacation leave earned but not yet used.

OTHER LONG TERM EMPLOYEE BENEFITS

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in the statement of operations and comprehensive income as incurred. These benefits include long service vacation leave and sick leave benefits earned but not used.

POST EMPLOYMENT BENEFITS

(i) Retirement and severance benefits

Retiring or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service. The benefit obligation is determined based on an actuarial valuation using estimates of future inflation and interest rates. Actuarial gains and losses are recognized in the statement of operations and comprehensive income as incurred. The obligation is calculated using the projected unit credit method prorated on service.

(ii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund to cover current service cost. Pursuant to legislation currently in place, the Fund has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Fund.

(k) Leases

Leases, which do not transfer substantially all the risks and benefits of ownership of the asset to the Fund, are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Board has entered into operating leases for storage premises, rental accommodation for travel, and vehicles. The leases have an average life of one year.

5. Risk Management

The Fund has exposure to the following financial risks: credit risk, liquidity risk, and market risk (which also includes inflation risk, interest rate risk and currency risk). The Fund's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and financial liabilities.

The Board's management is responsible for monitoring performance, recommending changes to the Investment Policy, and selecting investment managers. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy. The investment managers' compliance with this Investment Policy is monitored on a regular basis. Quarterly, independent consultants benchmark the performance of the Fund's investment managers and to advise on the appropriateness and effectiveness of the Fund's Investment Policy and practices.

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk:

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. To manage this risk, the Board, as prescribed in the Investment Policy, has determined that short-term investments must have a credit rating of at least R1L, and long-term investments require a rating of BBB or higher by the Dominion Bond Rating Service or the equivalent rating by Moody's, in order to be eligible for consideration as an investment. Diversification of credit risk is managed by limiting the exposure in a single private institution to 15% of the portfolio. The Board has stayed within these guidelines during the year.

Fixed Income Portfolio Credit Ratings

Ratings:	AAA	AA	A	BBB	31-Dec-12 ($000's)	31-Dec-11 ($000's)
Fixed Income Securities	$ 30,524	$ 14,088	$ 28,456	$ 3,441	$ 76,509	$ 79,111
Totals	$ 30,524	$ 14,088	$ 28,456	$ 3,441	$ 76,509	$ 79,111

The Fund's exposure to credit risk associated with its accounts receivable and assessments receivable is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable and assessments receivable is $2,347,000 (December 31, 2011 – $3,823,000). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for bad debts. Accounts receivable and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. The Board takes into consideration the customer's payment history, their credit worthiness and the then current economic environment in which the customer operates to assess impairment. The Board recognizes a bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

The Board believes that the credit risk of accounts receivable and assessments receivable is mitigated by the following:

i. The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government based employers may be affected by any downturns due to prevailing economic conditions.

ii. As at December 31, 2012, approximately 81% (December 31, 2011 – 87%) of accounts receivable and assessments receivable are outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable or assessments receivable.

iii. The Board has the power and remedies to enforce payment owing to the Fund.

CREDIT RISK ARISING FROM SECURITIES – LENDING ACTIVITIES

To generate additional income, the Board's investment managers may lend any of its investments to eligible third parties for short periods. These loans are secured against loss with cash or readily marketable securities having a minimum fair value of 100% of the loan. Included in the investment manager's pooled fund investments at year end, the Fund's share of outstanding securities on loan amounted to nil (December 31, 2011 – nil). The amount of collateral held for the securities at year end was nil (December 31, 2011 – nil). For the year, securities-lending transactions within the Board's investment managers' pooled investment funds generated incremental income of nil (2011 – $15,000).

Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Board's operations are financed through a combination of the cash flows from operations and investments. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Fund has access to the Government of Yukon overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of $7,000,000 if needed. The Fund's accounts payable and accrued liabilities had a carrying value of $4,720,000 as at December 31, 2012 (December 31, 2011 – $4,671,000) and are all due within 60 days.

Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 15% or less of the fair value of the investment fund.

The table below presents the Fund's investment targets and actual asset mix at fair value:

	Target		Actual	
	Minimum	Maximum	**31-Dec-12**	**31-Dec-11**
Equities				
Canadian	0%	25%	16.00%	14.30%
United States	0%	25%	18.60%	17.60%
International	0%	25%	18.20%	15.50%
Fixed Income				
Short-term investments	0%	10%	3.00%	2.10%
Bonds	35%	85%	44.20%	50.50%
			100.00%	100.00%

The table below presents the effect of a material adverse change in the fair value of each of the categories of equities in the Fund's investments portfolio on operating results and equity:

	31-Dec-12 ($000's)		**31-Dec-11** ($000's)	
Percentage decrease in fair value	-10%	-20%	-10%	-20%
Equities				
Canadian	$ (2,779)	$ (5,558)	$ (2,258)	$ (4,517)
United States	(3,242)	(6,485)	(2,773)	(5,546)
International	(3,179)	(6,357)	(2,444)	(4,888)
Total impact on operating results and equity	$ (9,200)	$ (18,400)	$ (7,475)	$ (14,951)

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power of current monetary assets. The Board manages inflation risk through its investment allocation between equities and fixed income investments.

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Fund's investment portfolio is exposed to interest rate risk through its holdings of short and long-term fixed income investments. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

The table below presents the effects of a 50 and 100 bps[1] adverse change in the nominal interest rate on the fair value of the bond portfolio on operating results and equity:

	31-Dec-12 ($000's)		31-Dec-11 ($000's)	
Positive bp change in nominal interest rate	+50bp	+100bp	+50bp	+100bp
Bonds	$ (2,371)	$ (4,743)	$ (2,475)	$ (4,949)
Total impact on operating results and equity	$ (2,371)	$ (4,743)	$ (2,475)	$ (4,949)

[1] One basis point (bp) equals1/100 of 1%, 50 bp's = 50/100 of 1%, or 0.5%.

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to inflation and interest rate risk:

	Remaining term to maturity			31-Dec-12 ($000's)	31-Dec-11 ($000's)
	1 - 5 years	5 - 10 years	> 10 years	Total	Total
Bonds	$ 37,810	$ 19,609	$ 19,090	$ 76,509	$ 79,111
Average effective yield	1.79%	2.72%	3.37%	2.42%	2.64%

Currency risk

Currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar.

Within its pooled investments, the Fund is exposed to exchange rate volatility that is managed by the contracted fund managers. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The Fund's most significant exposure is to the US Dollar, the Euro, the British Pound and the Japanese Yen. At December 31, 2012, the Fund had US Dollar-denominated holdings, at fair value, of $34,800,000 (2011 – $29,800,000), Euro denominated holdings of $9,800,000 (2011 – $7,400,000), British Pound denominated holdings of $7,400,000 (2011 – $5,900,000) and Japanese Yen denominated holdings of $3,700,000 (2011 – $2,600,000).

The following table presents the effect of a 10 percent appreciation in the Canadian dollar as compared to the US Dollar, the Euro, the British Pound and the Japanese Yen on operating results and equity:

Currency	31-Dec-12 ($000's)	31-Dec-11 ($000's)
USD	$ (3,165)	$ (2,706)
EURO	$ (893)	$ (672)
POUND	$ (670)	$ (537)
YEN	$ (336)	$ (237)

Derivative financial instruments

The Fund did not have any derivative financial instruments during the year or at year end (December 31, 2011 – nil).

6. Accounts Receivable

	31-Dec-12 ($000s)	31-Dec-11 ($000s)
ASSESSMENTS		
Assessed and due from employers	$ 2,268	$ 3,064
Allowance for doubtful accounts	(83)	(97)
	$ 2,185	$ 2,967
OTHER		
Other receivables and recoveries	$ 377	$ 928
Allowance for doubtful accounts	(215)	(72)
	162	856
	$ 2,347	$ 3,823

Included in other receivables and recoveries are amounts due from the Government of Yukon, which are disclosed in note 15.

Reconciliation of allowance for doubtful accounts

	31-Dec-12 ($000's)	31-Dec-11 ($000's)
Balance, beginning of year	$ 169	$ 92
Accounts written off	(105)	(14)
Current year provision	234	91
Balance, end of year	$ 298	$ 169

7. Investments

The Board of Directors has established an Investment Policy for the management of the investment process, utilizing external investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis.

	31-Dec-12 ($000s) Fair Value	31-Dec-11 ($000s) Fair Value
FIXED-TERM SECURITIES		
Federal bonds	$ 23,291	$ 25,990
Provincial bonds	3,005	3,223
Corporate bonds	50,213	49,898
	76,509	79,111
EQUITIES		
Canadian	27,789	22,583
United States	32,423	27,730
International	31,785	24,442
	91,997	74,755
OTHER INVESTMENTS		
Cash on account	82	140
Short-term investments	5,070	3,176
Accrued interest receivable	572	535
	5,724	3,851
Investments, sub-total	174,230	157,717
Management fee accrual	(98)	(71)
	$ 174,132	$ 157,646

As at December 31, 2012, the Fund held the following financial instruments measured at fair value:

	Quoted prices in active markets for identical assets (Level 1) ($000s)	Significant other observable inputs (Level 2) ($000s)	Significant other unobservable inputs (Level 3) ($000s)	Total ($000s)
Cash and Cash equivalents	$ 5,626	$ –	$ –	$ 5,626
Bonds	6,717	69,792	–	76,509
Equities	43,279	–	–	43,279
Pooled funds	–	48,718	–	48,718
Total investments	$ 55,622	$ 118,510	$ –	$ 174,132

As at December 31, 2011, the Fund held the following financial instruments measured at fair value:

	Quoted prices in active markets for identical assets (Level 1) ($000s)	Significant other observable inputs (Level 2) ($000s)	Significant other unobservable inputs (Level 3) ($000s)	Total ($000s)
Cash and Cash equivalents	$ 3,780	$ –	$ –	$ 3,780
Bonds	7,114	71,997	–	79,111
Equities	36,112	–	–	36,112
Pooled funds	–	38,643	–	38,643
Total investments	$ 47,006	$ 110,640	$ –	$ 157,646

The classification is based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification.

A Level 1 classification reflects public daily market or quote pricing with a good volume level.

A Level 2 classification is used when pricing is:

a) model or matrix based (using observable inputs and or market information)
b) based on closely related securities
c) derived pricing (when no public quote exists)
d) from a broker quote on less active markets.

A Level 3 security would have no public pricing and poor to non-existent liquidity.

Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For equity and fixed-income pooled funds, these values represent the Fund's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.

Net investment income for the year ended December 31 consists of the following:

	2012 ($000s)	2011 ($000s)
Interest	$ 2,941	$ 3,273
Dividends	2,345	2,018
Realized gains in the year	1,483	2,316
Increase (decrease) in fair value in the year	7,215	(1,208)
Investment management fees	(527)	(502)
	$ 13,457	$ 5,897

8. Property and Equipment

	Land ($000s)	Buildings ($000s)	Furniture and Equipment ($000s)	Computer and Equipment ($000s)	Total ($000s)
Cost					
At January 1, 2011	$ 1,045	$ 3,881	$ 518	$ 515	$ 5,959
Additions	-	38	206	75	319
Disposals	-	-	(53)	(73)	(126)
At December 31, 2011	**$ 1,045**	**$ 3,919**	**$ 671**	**$ 517**	**$ 6,152**
Depreciation and impairment					
At January 1, 2011	-	1,575	431	385	2,391
Depreciation	-	92	28	66	186
Disposals	-	-	(53)	(72)	(125)
Impairment	-	-	-	-	-
At December 31, 2011	**$ -**	**$ 1,667**	**$ 406**	**$ 379**	**$ 2,452**
Net Book value:					
At January 1, 2011	**$ 1,045**	**$ 2,306**	**$ 87**	**$ 130**	**$ 3,568**
At December 31, 2011	**$ 1,045**	**$ 2,252**	**$ 265**	**$ 138**	**$ 3,700**
Cost					
At January 1, 2012	$ 1,045	$ 3,919	$ 671	$ 517	$ 6,152
Additions	-	22	419	82	523
Disposals	-	-	(30)	(12)	(42)
At December 31, 2012	**$ 1,045**	**$ 3,941**	**$ 1,060**	**$ 587**	**$ 6,633**
Depreciation and impairment					
At January 1, 2012	-	1,667	406	379	2,452
Depreciation	-	94	91	72	257
Disposals	-	-	(28)	(11)	(39)
Impairment	-	-	-	-	-
At December 31, 2012	**$ -**	**$ 1,761**	**$ 469**	**$ 440**	**$ 2,670**
Net Book value:					
At December 31, 2012	**$ 1,045**	**$ 2,180**	**$ 591**	**$ 147**	**$ 3,963**

9. Intangible Assets

	Internal Software Development Costs ($000s)	Software Systems Under Development ($000s)	Software Costs ($000s)	Total ($000s)
Cost				
At January 1, 2011	$ 5,948	$ 702	$ 631	$ 7,281
Additions	93	58	$ 94	245
Disposals	-	-	-	-
Transfer completed system to internal software development costs	760	(760)	-	-
At December 31, 2011	**$ 6,801**	**$ -**	**$ 725**	**$ 7,526**
Amortization and impairment				
At January 1, 2011	2,375	-	525	2,900
Amortization	535	-	33	568
Disposals	-	-	-	-
Impairment	-	-	-	-
At December 31, 2011	**$ 2,910**	**$ -**	**$ 558**	**$ 3,468**
Net Book value:				
At January 1, 2011	**$ 3,573**	**$ 702**	**$ 106**	**$ 4,381**
At December 31, 2011	**$ 3,891**	**$ -**	**$ 167**	**$ 4,058**
Cost				
At January 1, 2012	$ 6,801	$ -	$ 725	$ 7,526
Additions	280	41	174	495
Disposals	-	-	-	-
At December 31, 2012	**$ 7,081**	**$ 41**	**$ 899**	**$ 8,021**
Amortization and impairment				
At January 1, 2012	2,910	-	558	3,468
Amortization	570	-	42	612
Disposals	-	-	-	-
Impairment	-	-	-	-
At December 31, 2012	**$ 3,480**	**$ -**	**$ 600**	**$ 4,080**
Net Book value:				
At December 31, 2012	**$ 3,601**	**$ 41**	**$ 299**	**$ 3,941**

10. Accounts Payable and Accrued Liabilities

	31-Dec-12 ($000s)	31-Dec-11 ($000s)
Payable		
Assessments refundable	$ 2,446	$ 1,918
Other payables and accrued liabilities	2,274	2,753
	$ 4,720	**$ 4,671**

Included in other payables and accrued liabilities are amounts due to the Government of Yukon, which are disclosed in note 15.

11. Government Grants

In 2012, the Board received $330,000 for the Mine Safety Program Grant (2011 – $330,000). This was accounted for as income in the period. The Board also received $222,000 for the purpose of upgrading mine safety equipment (2011 – $228,000). In addition, $46,000 (2011 – $52,000) was expensed and released into income.

There are no unfulfilled conditions or contingencies attached to these grants.

12. Benefits Liability

	2012 ($000s)			
	Medical Aid & Compensation	**Pension**	**Annuity**	**Total**
Balance, beginning of year	$ 86,806	$ 25,787	$ 6,819	$ 119,412
Add claims costs incurred:				
Current year injuries	16,146	-	-	16,146
Prior years' injuries	1,758	2,711	-	4,469
	17,904	2,711	-	20,615
Less claims payments made:				
Current year injuries	4,681	-	-	4,681
Claims management	702	-	-	702
Prior years' injuries	7,641	2,075	(501)	9,215
Claims management	1,074	312	-	1,386
	14,098	2,387	(501)	15,984
Balance, end of year	$ 90,612	$ 26,111	$ 7,320	$ 124,043

	2011 ($000s)			
	Medical Aid & Compensation	Pension	Annuity	Total
Balance, beginning of year	$ 84,589	$ 23,650	$ 7,063	$ 115,302
Add claims costs incurred:				
Current year injuries	15,175	1,873	-	17,048
Prior years' injuries	(1,425)	2,476	-	1,051
	13,750	4,349	-	18,099
Less claims payments made:				
Current year injuries	3,841	53	-	3,894
Claims management	499	7	-	506
Prior years' injuries	6,397	1,904	244	8,545
Claims management	796	248	-	1,044
	11,533	2,212	244	13,989
Balance, end of year	$ 86,806	$ 25,787	$ 6,819	$ 119,412

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Board has an objective to control insurance risk, thus reducing the volatility of operating results. In addition due to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results from the Board's workers' compensation business are affected by market factors, particularly movements in asset values. Short-term variability is, to some extent, a feature of the workers' compensation business.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Fund is exposed to at any point in time.
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate assessment premiums. Past experience and statistical methods are used as part of the process.
- The asset mix of the Fund investments is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

(b) Terms and conditions of the Act

The terms and conditions attaching to the Act affect the level of insurance risk accepted by the Board. All workers' compensation coverage entered into is subject to substantially the same terms and conditions under the Act.

(c) Concentration of insurance risk

The Fund's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Fund's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Fund's risk is concentrated by industry as some industries have higher claims experience costs than other industries and is mitigated by higher assessments being charged to industries with proven higher experience costs.

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Fund's obligations over time. The tables in part (i) of this note show the estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

The Fund is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

The discount rates being applied to future claims payments in determining the valuation of the benefits liability is disclosed in part (g) of this note.

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out in note 5.

(f) Liquidity risk

The Fund's exposure to liquidity risk is set out in note 5.

(g) Actuarial assumptions and methods

The key actuarial assumptions used to value the benefits liability are as follows:

	31-Dec-12	31-Dec-11
Discount rate for medical aid benefits - net [1]	1.00%	1.00%
Discount rate for compensation benefits - net [2]	3.40%	3.40%
Discount rate for survivor and other pension benefits - net [2]	3.40%	3.40%

(1) Net of a discount rate attributable to inflation of 5.5%
(2) Net of a discount rate attributable to inflation of 3.0%

The benefits liability was determined using accepted actuarial practice in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefits reflects management's and the actuary's best estimates of long term economic and actuarial assumptions.

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis, without margins for adverse deviations, by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required. By waiting until a clear trend has emerged, we reduce the likelihood of larger liability adjustments than warranted, both positive and negative, and unstable financial results.

The degree to which the valuation reflects trends is partly impacted by formulas intended to place the appropriate amount of weight on observed experience for each recent year and partly impacted by professional judgment based on observation of payment and claiming trends, including discussions with the Board's staff about the underlying factors that might be causing an observed trend.

The Medical and Short Term Compensation liability represents the present value of expected future benefit payments for hospital and physician services, short-term loss of earnings payments, travel expenses, rehabilitation benefits and other eligible medical services under the Act. The Medical and Short Term Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by injury year and payment year in order to observe the relationships between payments at different durations for each injury year. Historical factors, at each duration, are developed from prior injury years and are applied to injury years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Short Term Compensation liability.

The Long Term Compensation liability represents the present value of expected future long term loss of earnings payments for injury years 2006 and prior, including future inflationary adjustments, for individuals still in receipt of a long term loss of earnings award at December 31, 2012. The Long Term Compensation liability is calculated on a seriatim, or individual basis using the discounted cash flow method. Loss of earnings benefits are indexed annually in the month following the anniversary of the date of when the injured worker's loss of earnings began. Mortality rates are used to determine the future life expectancy of individuals in receipt of a long term loss of earnings award. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Long Term Compensation liability.

The Pension liability represents the present value of expected future pension payments, including future inflationary adjustments, to individuals who have been approved for a pension or survivor award at December 31, 2012. The Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1st of each year. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award.

The Future Long Term Compensation liability represents the present value of future long term loss of earnings awards that have not yet been approved as of December 31, 2012. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2012. The estimated number and timing of these future awards has been developed based on the historical emergence of claims. In addition, the expected cost of each claim has been

developed based on actual long term awards approved prior to December 31, 2012. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Future Long Term Compensation liability.

The discount rate is used to calculate the present value of expected future payments.

The administration rate represents the present value of expected future costs required to provide administrative services for the continuation of claims management and maintenance for existing claims.

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments.

Significant changes in the benefits liability due to actuarial assumptions included the following:

	Increase (decrease) in benefits liability	
	2012	**2011**
	($000s)	($000s)
Change in runoff factors	$ (1,605)	$ (1,161)
Update of first year inflation	(150)	(265)
Change in discount rate	-	-
Change in administration rate	-	1,657
Impact of OAS change	3,632	-
Other changes in actuarial assumptions	(501)	365
	$ 1,376	$ 596
Favourable claims experience during year	(3,027)	(3,850)
	$ (1,651)	$ (3,254)

The Government of Canada introduced amendments to the Old Age Security (OAS) regulations which included an increase in the eligibility age for OAS pension benefits from age 65 to 67. This change to the Federal OAS program will result in loss of earnings benefits continuing to be paid beyond age 65 for certain individuals. The increase in the benefits liability resulting from the OAS change is $3,632,000. The increase in new injury costs is $300,000.

In 2011, the Actuarial Standards Board released new standards of practice with respect to the determination of the benefits liability. Under the new standard, an appropriate allowance in the benefits liability is to be recognized for long latency occupational disease claims expected to arise after the calculation date as a result of exposures incurred in the workplace prior to the calculation date. The new provision for a long latency occupational disease liability takes effect on December 31, 2014. The effect of this standard could result in a long latency occupational disease liability of approximately $5,500,000 to $8,700,000.

(h) Liability sensitivity

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed rate of return in excess of the assumed inflation rate. A reduction in the net discount rate would increase the actuarial present value of the benefits liability resulting in an increase in claims expense and benefits liability. An increase in the discount rate would decrease the actuarial present value, resulting in a decrease in claims expense and benefits liability.

Medical benefits represent approximately 17% of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in claims expense and the benefits liability for medical benefits.

	31-Dec-12		**31-Dec-11**	
	($000s)		($000s)	
Percentage change in assumed rates	+1%	-1%	+1%	-1%
Increase (decrease) in claims expense and benefits liability from change in net discount rate	$ (9,413)	$ 10,881	(8,530)	$ 9,916
Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate	2,120	(1,465)	1,848	(1,609)

(i) Claims Development

The following table shows the development of claims cost estimates for the six most recent injury years:

	Year of Injury							
Estimate of Cumulative Claims	**2006 and Prior** ($000s)	**2007** ($000s)	**2008** ($000s)	**2009** ($000s)	**2010** ($000s)	**2011** ($000s)	**2012** ($000s)	**Total** ($000s)
At end of accident year	$ 348,034	$ 25,247	$ 24,593	$ 21,560	$ 26,001	$ 28,402	$ 24,192	
One year later	343,169	26,069	19,487	18,820	23,288	26,111		
Two years later	338,069	23,205	17,116	18,092	23,006			
Three years later	327,428	21,047	16,422	17,895				
Four years later	314,075	20,422	15,667					
Five years later	307,992	21,102						
Six years later	313,359							
Cumulative Payments								
At end of accident year	124,835	3,288	3,082	2,454	3,182	3,721	4,433	
One year later	136,388	6,572	4,707	3,963	4,787	5,618		
Two years later	145,120	7,607	5,198	4,500	5,394			
Three years later	152,350	8,013	5,371	4,880				
Four years later	158,990	8,304	5,469					
Five years later	164,667	8,528						
Six years later	169,890							
Estimate of Cumulative Claims	313,359	21,102	15,667	17,895	23,006	26,111	24,192	441,332
Cumulative Payments	169,890	8,528	5,469	4,880	5,394	5,618	4,433	204,212
Estimate of Future Payments	143,469	12,574	10,198	13,015	17,612	20,493	19,759	237,120
Effect of Discounting	(73,564)	(6,629)	(5,562)	(7,557)	(11,306)	(12,630)	(10,345)	(127,593)
Effect of Admin Expenses	8,970	805	638	758	882	1,115	1,348	14,516
Amount recognized on Statement of Financial Position	$ 78,875	$ 6,750	$ 5,274	$ 6,216	$ 7,188	$ 8,978	$ 10,762	$ 124,043

As at December 31, 2012 the investigations unit has been conducting on going investigations. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the benefits liability.

13. Employee Benefits

	31-Dec-12 ($000s)	31-Dec-11 ($000s)
Short term employee benefits	$ 724	$ 638
Other long-term employee benefits (a)	560	466
Post-employment benefits (b)	1,158	949
	$ 2,442	$ 2,053

Short term benefits included in the above amounts are expected to be paid within the next twelve months.

(a) Other Long-term Employee Benefits

Long service vacation leave is an additional five days of vacation leave available to employees who have completed five years of continuous service with the Board and on each five year anniversary date there after.

Unused sick leave credits accumulate and are carried forward up to a maximum. A retiring employee may convert up to one third, to a maximum of 180 days, as pre-retirement leave.

The balance in the liability accrual for accumulating sick leave benefits and long service vacation for the year was:

	31-Dec-12 ($000s)	31-Dec-11 ($000s)
Long service vacation benefits	$ 48	$ 40
Accumulating sick leave benefits	512	426
Total	$ 560	$ 466

(b) Post-employment Benefits

(I) RETIREMENT AND SEVERANCE BENEFIT

Retiring or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service.

The movement in the accrual for retirement and severance benefits for the year was:

	2012 ($000s)	2011 ($000s)
Benefits, beginning of the year	$ 949	$ 880
Payments made during the year	(17)	(107)
Current service cost	75	86
Interest cost	47	51
Actuarial loss from changes in actuarial assumptions	104	39
Benefits, end of the year	$ 1,158	$ 949

The plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The key assumptions used to calculate post employment benefits are a liability discount rate of 4.0% (December 31, 2011 – 4.5%) and an annual rate of general escalation in wages of 2.0% in 2013, 1.75% in 2014, 2.0% in 2015 and 3.0% in 2016 and beyond (December 31, 2011 – 2.25%).

The expected fund contributions to the Plan for the next year are $24,000.

(II) PUBLIC SERVICE PENSION PLAN

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 14.964% (15.624% for the prior year). The Fund contributions are outlined in the table below.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Contributions made to the Public Service Pension Plan by the Fund and the employees for the year were as follows:

	2012 ($000s)	2011 ($000s)
Employees' contributions	$ 421	$ 371
Fund contributions	$ 725	$ 682

The expected contributions to the Plan for the next year are $482,000 employee contributions and $791,000 Fund contributions.

(c) Benefit Expense

The following table summarizes the components of the benefit expense recognized in salaries and benefits within administration expenses in the statement of operations and comprehensive income for the respective plans:

	Other long-term benefits ($000s)	Severance & retirement benefits ($000s)	Public service pension plan ($000s)	Total ($000s)
Net benefit expense 2012				
Current service cost	$ 39	$ 75	$ 725	$ 839
Interest cost	20	47	-	67
Actuarial losses	19	39	-	58
	$ 78	$ 161	$ 725	$ 964
Net benefit expense 2011				
Current service cost	$ 36	$ 86	$ 682	$ 804
Interest cost	20	51	-	71
Actuarial losses	20	39	-	59
	$ 76	$ 176	$ 682	$ 934

14. Capital Management and Reserves

The *Workers' Compensation Act* establishes that one of the purposes of the Act is to maintain a solvent Compensation Fund managed in the interest of workers and employers. To ensure that the Fund is able to meet its financial obligations, premiums charged to employers over time must be sufficient to cover current and future costs of all claims incurred by injured workers. These assessment revenues combined with investment returns from the Fund's assets are designed to provide the foundation for the Fund to meet all current and future obligations for injured workers.

The Board of Directors considers that capital is the net difference between assets and liabilities. There have been no changes in the objectives and definition of capital from the previous period. The Fund does not have any external capital requirements. The reserves are established to protect the fully funded position of the Fund and to stabilize the effect of fluctuations in the employer assessment rates and investment returns. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, including the cost of administration. At the end of the fiscal year, once the benefits liability is determined, the net difference between the Fund's assets and liabilities is allocated to reserves.

The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2012, the Funding Ratio is 146% (December 31, 2011 – 140%).

Under the current Funding Policy, the Prevention Fund and two reserves are established as follows:

Prevention Fund:

The Prevention Fund serves to provide funding for the start up costs of pre-selected accident prevention and workplace safety initiatives. The Board of Directors decided to wind down the Prevention Fund in 2009. The remaining balance in the Prevention Fund will be used to cover future commitments from current funding agreements that were in place prior to this decision. In 2012, a total of $3,000 (2011 – $122,000) was incurred on accident prevention and workplace safety initiatives. At December 31, 2012, the Prevention Fund has a balance of $425,000 (December 31, 2011 – $428,000).

Reserves:

(I) STABILIZATION RESERVE

The Stabilization Reserve is to protect the fully funded position of the Fund and to stabilize the effect of fluctuations on employer assessment rates. The target level for this reserve is equal to ten percent of the benefits liability, which was $12,404,000 as at December 31, 2012 (December 31, 2011 – $11,941,000). The operating range for this reserve is determined as the target level balance plus or minus three and a half percent of the benefits liability. At December 31, 2012, the Stabilization Reserve has a balance of $39,390,000 (December 31, 2011 – $30,806,000).

This reserve is considered to have a surplus when its balance exceeds the top of the operating range and a deficit if the reserve balance is below its target level. The funding policy requires that any deficiency or surplus at the end of a fiscal year be amortized over a period not exceeding ten years from the year in which the deficiency or surplus arose.

A rebate in 2012 was included in the assessment rates as required by the Funding Policy based on the 2011 funded position.

(II) ADVERSE EVENTS RESERVE

The Adverse Events Reserve is to provide funding for infrequent, unexpected adverse claims experience and catastrophic events to protect employers from the sudden impact of the costs of these types of events. The target level for this reserve is $20,407,000 (2011 – $19,733,000), which has been set at 100 times the maximum wage rate plus ten percent of the benefits liability and is calculated annually upon completion of the actuarial valuation of the benefits liability. Costs related to catastrophic and adverse events and latent occupational diseases are charged to this reserve, resulting in a charge of nil for 2012 (2011 – nil). This reserve is limited to its target level. Funds in excess of the target level are transferred to the Stabilization Reserve, with nil funds transferred in 2012 (2011 – nil). At December 31, 2012, the Adverse Events Reserve has a balance of $20,407,000 (December 31, 2011 – $19,733,000).

Transfers cannot be made from this reserve to any other temporary fund or reserve if the transfer will reduce this reserve below its target level.

15. Related Party Transactions

(a) Government of Yukon

The Board is a territorial entity with delegated powers on behalf of the Government of Yukon (the "Government"), and is related to all Government departments, agencies and Government corporations.

The Government and entities related to the Government pay assessment premiums to the Fund for workers' compensation benefit coverage.

During 2012, the Compensation Fund paid the Government $839,000 (2011 – $804,000) for building maintenance, computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund also reimbursed the Government for payroll costs of $7,821,000 (2011 – $7,087,000).

The Government pays certain claims costs to the Compensation Fund for claims prior to 1993 (note 4(c)) and also reimburses the cost of supplementary benefits pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance. Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the Act came into force. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund. Effective January 1, 1993, all Government employees were covered by the Fund.

Reimbursements for claims expenses received from the Government was $506,000 in 2012 (2011 – $749,000).

The Board enters into transactions with the Government and entities related to the Government in the normal course of business and the transactions are recorded at fair value.

Revenues and recoveries from the Government of Yukon for the year ended December 31, 2012 totalled $5,926,000 (2011 - $6,602,000).

Balances due to and from Government of Yukon are as follows:

	31-Dec-12 ($000s)	**31-Dec-11** ($000s)
Due to the Government of Yukon	$ (1,597)	$ (1,866)
Due from the Government of Yukon - Recoveries	116	451
Due from the Government of Yukon - Assessments	243	267
Net amount due	$ (1,238)	$ (1,148)

(b) Key Management Personnel

The remuneration of key management personnel, which includes the members of the Board of Directors and senior management team, are as follows:

	2012 ($000s)	**2011** ($000s)
Short term employee benefits	$ 1,213	$ 1,293
Post employment benefits	223	226
Other long-term employee benefits	44	5
Total remuneration	$ 1,480	$ 1,524

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was $125,000 (2011 - $185,000).

A member of the Board of Directors, who resigned in 2012, was the acting president of the Yukon Federation of Labour which had entered into a Return to Work Agreement with the Board to train workers and employers on how to safely return injured workers to the workplace. This agreement was awarded based on a competitive bidding process. In 2012 a total of $8,000 was expended.

A member of the Board of Directors is a director with the Yukon Chamber of Mines, which has entered into a prevention fund agreement with the Board to develop and deliver mine safety training. No costs were incurred in 2012 related to this agreement.

Transactions with responsible key management personnel are negotiated on a commercial basis. Conflicts are overcome by directors declaring their interests and abstaining from voting at Board of Directors meetings.

16. Commitments

The Board has commitments for professional services contracts, contribution agreements, Prevention Fund agreements, storage facilities and travel accommodation for the next five years, in thousands of dollars, as follows:

	Computer software	Professional services contracts	Contribution agreements	Prevention fund agreements	Travel and storage	Total
2013	$ 30	$ 1,122	$ 522	$ 147	$ 33	$ 1,854
2014	30	381	522	-	-	933
2015	30	323	140	-	-	493
2016	30	-	-	-	-	30
2017	-	-	-	-	-	-
	$ 120	$ 1,826	$ 1,184	$ 147	$ 33	$ 3,310

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Administration Expenses

	2012 ($000s)	2011 ($000s)
Salaries and benefits	$ 8,308	$ 7,492
Consulting and professional	994	1,057
Amortization - intangible assets	612	568
Buildings	352	349
Computer systems	277	276
Depreciation - property and equipment	258	186
Automobile and travel	239	318
Communications	221	197
Staffing and recruitment	215	165
General administration	213	118
Board expenses	125	158
Lease expense	120	52
Printing and publications	114	71
System development analysis expense	101	34
Supplies and stationery	47	44
Furniture and equipment	17	77
	$ 12,213	$ 11,162
Less: claims administration expense transferred to claims expenses (note 12)	(2,088)	(1,550)
	$ 10,125	$ 9,612

18. Prevention Expenses

	2012 ($000s)	2011 ($000s)
Contribution Agreements - funded through the Prevention Fund	$ 3	$ 122
Contribution Agreements - funded through Operations	314	399
	$ 317	$ 521

19. Contingencies

The Fund is required to pay for future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, these liabilities cannot be reasonably estimated and are not included in the benefits liability or the financial statements (note 12).

Due to the nature of the Board's operations, various legal matters are pending. In the opinion of management, these matters will not have a material effect on the Fund's financial position or results of operations.

YEAR AT A GLANCE

Note		2012	2011
1	Workers Covered	23,040	22,990
2	Open Claims	3,482	3,108
1, 3	Claims	1,256	1,318
1, 3	Accepted Claims	1,049	1,115
1, 3	Lost-time Claims	490	529
1	Lost-time Rate (per 100 covered workers)	2.1	2.3
1	Permanent Impairment Awards	25	20
8	Worker Fatalities	1	4
	Reviews by the Hearing Officer	27	24
4	Appeals heard by the Appeal Tribunal	5	13
1	Registered Employers	3,463	3,427
	Maximum Assessable Earnings/Wage Rate	$ 80,024	$ 77,920
1	Assessable Payroll (millions)	$ 1,082.9	$ 1,053.1
6	Assessment Revenue (millions)	$ 25.6	$ 30.4
	Average Estimated Premium Rate (per $100 of insurable earnings)	$ 2.39	$ 2.49
1, 5	Average Collected Premium Rate (per $100 of insurable earnings)	$ 2.38	$ 2.88
6	Investment revenue (millions)	$ 13.45	$ 5.89
6	Investment fund market return	8.92%	4.20%
	Fund balance (millions)	$174.13	$157.65
7	Funded position (per AWCBC - KSM position)	146%	140%

Notes:

Data may include revisions to prior releases.

1 Revised based on most recent data.

2 Due to changes in system operability, pre 2007 figures are not comparable.

3 Figures may include counts of duplicate occurrences.

4 Decisions rendered.

5 Based on rateable revenue only for the assessment year and includes adjustments to previous estimates of payroll and assessment revenue.

6 per Financial Statements.

7 per revised 2008 KSM definition.

8 Prior to 2011, the definition used in Annual Reports respecting fatalities is "accepted fatalities," which counts fatalities by the year the fatality was accepted. Beginning in 2011, fatalities are counted by the year the fatality took place. The two measures are not necessarily compatible.

Yukon Workers' Compensation Health and Safety Board

Commission de la santé et de la sécurité au travail du Yukon